



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BRECKINRIDGE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
BRECKINRIDGE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Breckinridge County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$438,015 from the prior fiscal year, resulting in a cash surplus of \$443,005 as of June 30, 2000.

Debt Obligations:

Capital lease principal agreements totaled \$6,135,169 as of June 30, 2000. Future principal and interest payments of \$10,736,438 are needed to meet these obligations.

Report Comments:

- The County Should Follow Proper Emergency Procurement Procedures
- The Fiscal Court Should Pay Claims Within Thirty Days
- The Fiscal Court Should Approve Expenditures Before Payment Is Made
- The County Treasurer's Annual Settlement Should Be Published
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral of \$140,109 And Enter Into A Written Agreement To Protect Deposits

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
BRECKINRIDGE COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	21
SCHEDULE OF OPERATING REVENUE.....	25
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	29
SCHEDULE OF OTHER EXPENDITURES	33
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	37
COMMENTS AND RECOMMENDATIONS	41
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	
APPENDIX B:	
AUDIT REPORT OF THE BRECKINRIDGE COUNTY HOUSING AUTHORITY	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Thomas P. Moorman, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Breckinridge County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Breckinridge County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Breckinridge County Housing Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Breckinridge County Housing Authority, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Breckinridge County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Thomas P. Moorman, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Breckinridge County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2001 on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance and reportable conditions:

- The County Should Follow Proper Emergency Procurement Procedures
- The Fiscal Court Should Pay Claims Within Thirty Days
- The Fiscal Court Should Approve Expenditures Before Payment Is Made
- The County Treasurer's Annual Settlement Should Be Published
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral of \$140,109 And Enter Into A Written Agreement To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Breckinridge County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
September 10, 2001

BRECKINRIDGE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Thomas P. Moorman	County Judge/Executive
James Henning	Magistrate
David Newby	Magistrate
Tommy Compton	Magistrate
Billy Johnson	Magistrate
Billy Robinson	Magistrate
Junior Tucker	Magistrate

Other Elected Officials:

Bruce T. Butler	County Attorney
Louis D. Carman	Jailer
Charles A. Wilson	County Clerk
Connie Brumfield	Circuit Court Clerk
Bobby D. Kennedy	Sheriff
Kenneth Barger	Property Valuation Administrator
Robert Rhodes	Coroner

Appointed Personnel:

Randi K. Flood	County Treasurer
Lisa Hoskins	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

BRECKINRIDGE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	224,091	
Road and Bridge Fund:			
Cash		87,086	
Jail Fund:			
Cash		16,301	
Local Government Economic Assistance Fund:			
Cash		16,251	
Payroll Revolving Account - Cash		19,904	\$ 363,633

Capital Projects Fund Type

Jail Construction Fund:		
Cash		99,276

Other Resources

General Fund Type

General Fund:		
Amounts to be Provided in Future Years for Courthouse Renovation		
Capital Lease Obligation - Lease Principal Payments (Note 4)		192,000
Jail Fund:		
Amounts to be Provided in Future Years for Jail Capital		
Lease Obligations - Lease Principal Payments (Note 4)		5,943,169
Total Assets and Other Resources		\$ 6,598,078

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Capital Lease Obligation - Lease Principal Payments (Note 4)	\$	192,000	
--	----	---------	--

Jail Fund:

Capital Lease Obligation - Lease Principal Payments (Note 4)		5,500,000	
--	--	-----------	--

Capital Lease Obligation - Lease Principal Payments (Note 4)		443,169	
--	--	---------	--

Payroll Revolving Account		<u>19,904</u>	\$ 6,155,073
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Fund Balances

Reserved:

Capital Projects Fund Type

Jail Construction Fund			99,276
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Unreserved:

General Fund Type

General Fund	\$	224,091	
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Road and Bridge Fund		87,086	
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Jail Fund		16,301	
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Local Government Economic Assistance Fund		<u>16,251</u>	<u>343,729</u>
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Total Liabilities and Fund Balances			<u>\$ 6,598,078</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BRECKINRIDGE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,470,130	\$ 1,016,392	\$ 1,837,075	\$ 578,006
Transfers In	1,291,836	190,000	450,000	640,000
Borrowed Money	450,000			450,000
Kentucky Advance Revenue Program	733,125	381,160	351,965	
Kentucky Association of Counties Leasing Trust- Proceeds	5,500,000			
Total Cash Receipts	<u>\$ 11,445,091</u>	<u>\$ 1,587,552</u>	<u>\$ 2,639,040</u>	<u>\$ 1,668,006</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,855,697	\$ 971,663	\$ 1,709,085	\$ 1,107,090
Schedule of Other Expenditures	575,030			
Transfers Out	1,291,836	190,000	450,000	540,000
Kentucky Association of Counties Leasing Trust- Principal Payments	5,427,418	21,587	99,000	6,831
Kentucky Advance Revenue Program Repaid	733,125	381,160	351,965	
Total Cash Disbursements	<u>\$ 11,883,106</u>	<u>\$ 1,564,410</u>	<u>\$ 2,610,050</u>	<u>\$ 1,653,921</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (438,015)	\$ 23,142	\$ 28,990	\$ 14,085
Cash Balance - July 1, 1999	<u>\$ 881,020</u>	<u>\$ 200,949</u>	<u>\$ 58,096</u>	<u>\$ 2,216</u>
Cash Balance - June 30, 2000	<u><u>\$ 443,005</u></u>	<u><u>\$ 224,091</u></u>	<u><u>\$ 87,086</u></u>	<u><u>\$ 16,301</u></u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	General Fund Type	Capital Projects Fund Type
	Local Government Economic Assistance Fund	Jail Construction Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 25,705	\$ 12,952
Transfers In		11,836
Borrowed Money		
Kentucky Advance Revenue Program		
Kentucky Association of Counties		
Leasing Trust- Proceeds		5,500,000
Total Cash Receipts	\$ 25,705	\$ 5,524,788
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 26,377	\$ 41,482
Schedule of Other Expenditures		575,030
Transfers Out		111,836
Kentucky Association of Counties		
Leasing Trust- Principal Payments		5,300,000
Kentucky Advance Revenue Program Repaid		
Total Cash Disbursements	\$ 26,377	\$ 6,028,348
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (672)	\$ (503,560)
Cash Balance - July 1, 1999	\$ 16,923	\$ 602,836
Cash Balance - June 30, 2000	\$ 16,251	\$ 99,276

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Breckinridge County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Breckinridge County Housing Authority as part of the reporting entity. The Breckinridge County Housing Authority, a component unit of Breckinridge County, Kentucky, was audited by another auditor and the report is discretely presented as an attachment at Appendix B.

Breckinridge County Housing Authority-

The fiscal court appoints the voting majority of the governing board of the Breckinridge County Housing Authority and has the ability to impose its will on the governing body. The fiscal court provides office space and pays the utility bills.

Additional - Breckinridge County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Breckinridge County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Breckinridge County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Section Eight Housing Fund of the Fiscal Court should be reported as a Special Revenue Fund Type. There was no activity in this fund during fiscal year ended June 30, 2000.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Breckinridge County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

Formal budgets are not adopted for the Jail Construction Fund (held at Bank One), a Capital Projects Fund Type, because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits (Continued)

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit in the Farmers Bank, leaving \$140,109 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with this depository institution nor had the depository institution pledged securities on behalf of the county.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by pledging depository institution in the county's name	\$ 335,798
Uncollateralized and uninsured	<u>140,109</u>
Total	<u>\$ 475,907</u>

Note 4. Long-Term Debt

Breckinridge County entered into a capital lease with the Kentucky Association of Counties on February 26, 1998. The lease principal of \$5,300,000 was for the construction of the Breckinridge County Detention Facility. The lease terms specify 20 annual payments and monthly interest payments at an effective interest rate of 5.64 percent. On January 31, 2000, the lease was refinanced. The lease principal is \$5,500,000. The lease terms specify 21 annual payments and monthly interest payments at an interest rate of 5.30 percent. The schedule of yearly principal payments and interest payments are as follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
7/20/2000	\$ 291,500	\$
7/20/2001	285,670	120,000
7/20/2002	278,970	127,000
7/20/2003	271,948	133,000
7/20/2004	264,558	140,000
Thereafter	<u>3,080,089</u>	<u>4,980,000</u>
Totals	<u>\$ 4,472,735</u>	<u>\$ 5,500,000</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt (Continued)

Breckinridge County entered into a capital lease with the Kentucky Association of Counties on March 31, 2000. The lease principal of \$450,000 was for the construction of the Breckinridge County Detention Facility. The lease terms specify 60 annual payments and monthly interest payments at an effective interest rate of 4.517 percent. The schedule of yearly principal payments and interest payments are as follows:

Amount Due As of	Scheduled Interest	Scheduled Principal
June 30, 2001	\$ 19,651	\$ 90,764
June 30, 2002	14,126	87,113
June 30, 2003	10,124	90,436
June 30, 2004	5,697	93,887
June 30, 2005	1,684	80,969
Totals	<u>\$ 51,282</u>	<u>\$ 443,169</u>

Breckinridge County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on January 6, 1994. The capital lease principal of \$250,000 was for courthouse renovation. The lease terms specify yearly principal payments and monthly interest payments at 4.621 percent. The schedule of yearly principal payments is as follows:

Due Date	Scheduled Interest	Scheduled Principal
January 20, 2001	\$ 10,484	\$ 11,000
January 20, 2002	9,845	12,000
January 20, 2003	9,174	12,000
January 20, 2004	8,479	13,000
January 20, 2005	7,752	13,000
Thereafter	31,518	131,000
Totals	<u>\$ 77,252</u>	<u>\$ 192,000</u>

BRECKINRIDGE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Operating Leases

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Voting Machines	7/31/1992	2/1/2002	Variable	\$ 16,000
Radios	4/20/1993	5/1/2003	Variable	11,199
Road Garage	7/19/1996	2/1/2001	Variable	21,000
Road Equipment	3/25/1999	1/20/2003	Variable	254,000
Jail Van	9/1/1999	10/1/2002	Variable	44,033

Note 6. Related Party Transactions

During fiscal year ended June 30, 2000, the fiscal court made expenditures to an auto parts store owned by the County Treasurer's father. The total of the expenditures to the auto parts store was \$10,332. These transactions do not appear to be in violation of the county's Code of Ethics.

Note 7. Insurance

For the fiscal year ended June 30, 2000, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Breckinridge County Jail Canteen Fund had receipts of \$76,837, less expenses of \$57,508, leaving a balance of \$ 19,329 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 9. Industrial Revenue Bonds

The Breckinridge County Fiscal Court has adopted ordinances approving the issuance of Kentucky Association of Counties Leasing Trust Program Revenue Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Breckinridge County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,335,250	\$ 1,016,391	\$ (318,859)
Road and Bridge Fund	1,872,938	1,837,075	(35,863)
Jail Fund	1,312,000	578,006	(733,994)
Local Government Economic Assistance Fund	22,000	25,705	3,705
<u>Special Revenue Fund Type</u>			
Section 8 Housing Fund	800,000		(800,000)
<u>Capital Projects Fund Type</u>			
Jail Construction Fund	500,000	12,953	(487,047)
Totals	<u>\$ 5,842,188</u>	<u>\$ 3,470,130</u>	<u>\$ (2,372,058)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,842,188
Add: Budgeted Prior Year Surplus			231,725
Budgeted Borrowed Money			
Kentucky Advanced Revenue Program			725,000
Refinancing of Borrowed Money			
Kentucky Association of Counties			
Leasing Trust			5,300,000
Budgeted Lease Proceeds			
Kentucky Association of Counties			
Leasing Trust			450,000
Less: Kentucky Association of Counties			
Leasing Trust-Principal			(5,300,000)
Kentucky Association of Counties			
Leasing Trust-Principal			(147,000)
Kentucky Advanced Revenue			
Program - Principal			<u>(725,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,376,913</u>

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SCHEDULE OF OPERATING REVENUE

BRECKINRIDGE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPE</u>			
<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Capital Projects Fund Type</u>
Taxes	\$ 717,736	\$ 717,736	\$
In Lieu Tax Payments	9,324	9,324	
Excess Fees	53,113	53,113	
License and Permits	5,477	5,477	
Intergovernmental Revenues	2,436,925	2,436,925	
Charges for Services	27,206	27,206	
Miscellaneous Revenues	188,285	188,285	
Interest Earned	32,064	19,111	12,953
Total Operating Revenue	<u>\$ 3,470,130</u>	<u>\$ 3,457,177</u>	<u>\$ 12,953</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 331,615	\$ 346,958	\$ (15,343)
Protection to Persons and Property	888,000	1,006,765	(118,765)
General Health and Sanitation	15,000	22,055	(7,055)
Social Services	67,900	54,387	13,513
Recreation and Culture	66,000	34,950	31,050
Roads	1,152,498	1,259,131	(106,633)
Bus Service		31,809	(31,809)
Debt Service	460,800	101,860	358,940
Capital Projects	1,120,000	450,501	669,499
Administration	975,100	505,799	469,301
Total Operating Budget - All General Fund Types	\$ 5,076,913	\$ 3,814,215	\$ 1,262,698
Other Financing Uses:			
Kentucky Association of Counties Leasing Trust- Principal	147,000	127,418	19,582
Borrowed Money- Kentucky Advanced Revenue Program - Principal	725,000	733,125	(8,125)
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 5,948,913</u>	<u>\$ 4,674,758</u>	<u>\$ 1,274,155</u>

BRECKINRIDGE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Section Eight Housing	\$ 800,000		\$ 800,000

CAPITAL PROJECTS FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Capital Projects	\$ 500,000	\$ 41,482	\$ 458,518

SCHEDULE OF OTHER EXPENDITURES

BRECKINRIDGE COUNTY
SCHEDULE OF OTHER EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Jail Construction Account Fund</u>
Management Fees	\$ 560
Interest Payments	143,334
Construction Costs	375,623
Jail Operating Costs-	
Jail Van Lease	8,807
Jail Van Partition	2,148
Computers	3,300
Supplies	26,733
Uniforms	9,183
Tables	5,342
	<u>\$ 575,030</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Thomas P. Moorman, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Breckinridge County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 10, 2001, except for financial statements of the Breckinridge County Housing Authority. Other auditors whose report has been furnished to us audited the Breckinridge County Housing Authority. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Breckinridge County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Follow Proper Emergency Procurement Procedures
- The Fiscal Court Should Pay Claims Within Thirty Days
- The Fiscal Court Should Approve Expenditures Before Payment Is Made
- The County Treasurer's Annual Settlement Should Be Published
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral of \$140,109 And Enter Into A Written Agreement To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breckinridge County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Breckinridge County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- The Fiscal Court Should Pay Claims Within Thirty Days
- The Fiscal Court Should Approve Expenditures Before Payment Is Made

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be a material weakness.

- The Fiscal Court Should Approve Expenditures Before Payment Is Made

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 10, 2001

COMMENTS AND RECOMMENDATIONS

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

NONCOMPLIANCES

1) The County Should Follow Proper Emergency Procurement Procedures

During our audit, we noted that the county obtained a truck for the road supervisor from a vendor for \$19,400. The County Judge Executive authorized this purchase on July 1, 1999 and the fiscal court issued a non pro tunc emergency order approving the purchase of this truck on July 13, 1999. KRS 424.260 states that no Fiscal Court may make a contract, lease or other agreement for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than ten thousand dollars (\$10,000) without first making newspaper advertisement for bids. This requirement shall not apply in an emergency if the chief executive officer of the county has duly certified that an emergency exists, and has filed a copy of the certificate with the chief financial officer of the county. We recommend that the county comply with KRS 424.260.

County Judge/Executive's Response:

None.

2) The Fiscal Court Should Pay Claims Within Thirty Days.

During the course of our audit, it came to our attention that invoices for radio equipment and asphalt totaling \$43,045 were not paid within thirty days. KRS 65.140 requires all bills for goods and services be paid within thirty working days of receipt of vendor's invoice. We recommend that the fiscal court monitor the payment of claims and require that claims be paid on a timely basis.

County Judge/Executive's Response

None.

3) The Fiscal Court Should Approve Expenditures Before Payment Is Made

During the course of our audit we noted that \$63,500 in claims were paid prior to receiving fiscal court approval for payment. Also transfers between funds totaling \$771,800 were never approved by fiscal court. KRS 68.275(2) requires the county judge/executive to present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid. We recommend the county judge/executive and fiscal court comply with KRS 68.275(2).

County Judge/Executive's Response

None.

BRECKINRIDGE COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 2000
 (Continued)

NONCOMPLIANCES (Continued)

4) The County Treasurer's Annual Settlement Should Be Published.

The County Treasurer made a settlement to the fiscal court but did not publish this settlement. KRS 68.020 requires the County Treasurer to make a full and complete settlement within thirty days after the close of each fiscal year. KRS 424.220 (6) further requires the County Treasurer to prepare an annual settlement and publish it within 60 days after the close of the fiscal year. We recommend the County Treasurer publish an annual settlement within 60 days after the close of each fiscal year.

County Judge/Executive's Response:

None.

5) The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 2000, \$140,109 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive's Response:

None.

REPORTABLE CONDITIONS

The following comments are described above.

- The Fiscal Court Should Pay Claims Within Thirty Days
- The Fiscal Court Should Approve Expenditures Before Payment Is Made

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2000
(Continued)

PRIOR YEAR FINDINGS

1) The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral

This finding had not been corrected as of June 30, 2000, and has been commented on in the current audit report.

2) The County Treasurer's Annual Settlement Should Be Published.

This finding had not been corrected as of June 30, 2000, and has been commented on in the current audit report.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BRECKINRIDGE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

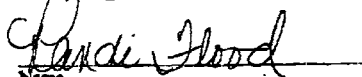
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

AUDIT REPORT OF THE BRECKINRIDGE COUNTY HOUSING AUTHORITY

Appendix B

**BRECKINRIDGE COUNTY HOUSING AUTHORITY
HARDINSBURG, KENTUCKY**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED JUNE 30, 2000**

**WILLIAM E. BOTTOMS PSC C.P.A
PO BOX 849
PRESTONSBURG, KY 41653**

William E. Bottoms, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

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WILLIAM E. BOTTOMS, C.P.A.

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REPORT ON AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION Independent Auditor's Report

To the members of the Board
Breckinridge County Housing Authority

We have audited the accompanying general-purpose financial statements of the Breckinridge County Housing Authority as of and for the year ended June 30, 2000. These general-purpose financial statements are the responsibility of the Breckinridge County Housing Authority management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Breckinridge County Housing Authority as of June 30, 2000, and the results of its operation and cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with Generally Accepted Accounting Principles.

Independent Auditor's Report
(Continued)

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Breckinridge County Housing Authority internal control over financial reporting and our test of its compliance with certain provisions of laws, regulation, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards are presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

William E. Bottoms
WILLIAM E. BOTTOMS PSC C.P.A.
Prestonsburg, Kentucky

BRECKINRIDGE CO HOUSG
Combined Balance Sheet (Audited)
All Fund Types, Account Groups and Discretely Presented Component Units
As of June 30, 2000

	<i>Total</i>
ASSETS	
Current Assets	
Cash and cash equivalents	\$141,261
Investments	6,752
Total current assets	<u>148,013</u>
 Fixed assets - net of accumulated depreciation	 <u>4,996</u>
 TOTAL ASSETS	 <u>\$153,009</u>
LIABILITIES, EQUITY, AND OTHER CREDITS	Total
Current Liabilities	
Intergovernmental payable	113,377
Total current liabilities	<u>113,377</u>
 Total Liabilities	 <u>113,377</u>
 Equity and Other Credits	
Contributed capital	63,219
Unreserved fund	<u>-23,587</u>
Total equity and other credits	<u>39,632</u>
TOTAL LIABILITIES EQUITY AND OTHER CREDITS	<u>\$153,009</u>

BRECKINRIDGE CO HOUSG**Combined Statement of Revenues, Expenses and Changes in Equity (Audited)
For the Year Ended June 30,2000**

REVENUES	Total
Program grants/subsidies	\$608,002
Interest	\$1,451
Total revenues	<u>\$609,453</u>
EXPENSES	Total
Current	
Administrative	\$91,714
Housing assistance payments	\$517,631
Depreciation	\$3,856
Total current expenses	<u>\$613,201</u>
Total expenses	<u>\$613,201</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$(3,748)</u>

Other Financing Sources (Uses)

Total Other Financing Sources(Uses)	=
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	<u>\$(3,748)</u>
DEPRECIATION ADD BACK	<u>\$3,856</u>
NET INCOME AFTER DEPRECIATION ADD BACK	\$108
BEGINNING EQUITY	\$23,478
ADD: PRIOR PERIOD ADJUSTMENTS	\$19,902
ADD: CAPITAL OUTLAYS - ENTERPRISE FUND	-
LESS: DEPRECIATION ON GRANT ASSETS RECLASSIFIED AS A REDUTION TO HUD CONTRIBUTIONS	<u>\$3,856</u>
ENDING EQUITY	<u>\$39,632</u>

KY145 06/30/2000

Line Item #	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
111	Cash - Unrestricted	\$141,261	\$0	\$141,261
100	Total Cash	\$141,261	\$0	\$141,261
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$0
131	Investments - Unrestricted	\$6,752	\$0	\$6,752
150	Total Current Assets	\$148,013	\$0	\$148,013
164	Furniture, Equipment & Machinery - Administration	\$42,485	\$0	\$42,485
165	Leasehold Improvements	\$1	\$0	\$1
166	Accumulated Depreciation	\$-37,490	\$0	\$-37,490
160	Total Fixed Assets, Net of Accumulated Depreciation	\$4,996	\$0	\$4,996
180	Total Non-Current Assets	\$4,996	\$0	\$4,996
190	Total Assets	\$153,009	\$0	\$153,009

KY145 06/30/2000

Line Item #	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
331	Accounts Payable - HUD PHA Programs	\$113,377	\$0	\$113,377
310	Total Current Liabilities	\$113,377	\$0	\$113,377
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$113,377	\$0	\$113,377
504	Net HUD PHA Contributions	\$63,219	\$0	\$63,219
508	Total Contributed Capital	\$63,219	\$0	\$63,219
511	Total Reserved Fund Balance	\$0	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$-23,587	\$0	\$-23,587
513	Total Equity	\$39,632	\$0	\$39,632
600	Total Liabilities and Equity	\$153,009	\$0	\$153,009

KY145 06/30/2000

Line Item #	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Grants	\$144,642	\$463,360	\$608,002
711	Investment Income - Unrestricted	\$1,451	\$0	\$1,451
700	Total Revenue	\$146,093	\$463,360	\$609,453
911	Administrative Salaries	\$47,937	\$0	\$47,937
912	Auditing Fees	\$1,250	\$0	\$1,250
915	Employee Benefit Contributions - Administrative	\$30,062	\$0	\$30,062
916	Other Operating - Administrative	\$12,465	\$0	\$12,465

KY145 06/30/2000

Line Item #	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
969	Total Operating Expenses	\$91,714	\$0	\$91,714
970	Excess Operating Revenue over Operating Expenses	\$54,379	\$463,360	\$517,739
973	Housing Assistance Payments	\$54,271	\$463,360	\$517,631
974	Depreciation Expense	\$3,856	\$0	\$3,856
900	Total Expenses	\$149,841	\$463,360	\$613,201
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-3,748	\$0	\$-3,748

KY145 06/30/2000

Line Item #	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$23,478	\$0	\$23,478
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$19,902	\$0	\$19,902
1112	Depreciation Add Back	\$3,856	\$0	\$3,856
1113	Maximum Annual Contributions Commitment (Per ACC)	\$630,123	\$0	\$630,123
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$630,123	\$0	\$630,123
1120	Unit Months Available	2520	2520	5040
1121	Number of Unit Months Leased	2520	2520	5040

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WILLIAM E. BOTTOMS, C.P.A.

BRECKINRIDGE COUNTY HOUSING AUTHORITY NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2000

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Breckinridge County Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

NON-CASH ASSISTANCE

Per OMB Circular A-133 Section 205 and federal awards expended include the outstanding debt balance of loans, guaranteed loans or other subsidized debt that have continuing compliance requirements. The schedule of expenditures of federal awards includes the unretired amount of the Breckinridge County Housing Authority at June 30, 2000.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>FEDERAL GRANTOR</u>	<u>CFDA</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
<u>Department of Housing and Urban Development</u>		
Section Eight	14.855	
Voucher		\$ 144,642
Certificate		<u>463,360</u>
TOTAL FEDERAL AWARDS		\$ 608,002 =====

Federal Program that expanded more than \$300,000 are determined to be a type "A" major program for this audit report. The Authority manages only the federal programs noted above and is not a low-risk auditee.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 1 - Summary of organization and significant accounting policies

- A. Organization - The entity is chartered as a public corporation for the purpose of administering housing program for low income families. The section eight (rental assistance Program voucher and certificate) had 172 units in operation at June 30, 2000.

The U.S. Department of Housing and Urban Development (HUD) has a direct responsibility for administering housing programs in the United States. Accordingly, HUD has entered into a contract with the entity to make annual contributions (subsidies) for the purpose of funding its programs for low-income families.

B. Financial Reporting:

1. Reporting entity - The entity is a public corporation legally separate and fiscally independent. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of Breckinridge County Housing Authority a primary government. There are no component units to be include, all funds, account groups, and programs which are controlled by the entity's governing body.
2. Basis of Accounting - The financial statements previously were prepared based on accounting principles and procedures prescribed by HUD which differ from generally accepted accounting principles. For the fiscal year ended June 30, 2000. The Breckinridge County Housing Authority made all necessary conversion and changes to comply with GAAP. The Housing Authority is using the Enterprise Fund Method of accounting method.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 1 - Summary of organization and significant accounting policies (Continued)

Significant Accounting Policies Include:

- A. A classified balance sheet.
- B. Accrual method of accounting

As part of HUD's conversion to GAAP Accounting The Breckinridge County Housing Authority did submit the required statements in electronic format after September 30, 1999.

- 3. Budget - The entity prepares annual budgets for each program, prior to beginning of each budget year. The entity's annual budget is approved by the entity's governing body and is submitted to federal regulators for approval. Budgetary amendments require approval by the governing body and federal regulators. All budgets appropriations lapse at the end of each year.
- 4. Income Tax - The entity is not subject to Federal or State income taxes.
- 5. Cash and Cash Equivalents - The entity defines cash to include demand deposits, certificates of deposit, money market funds, savings accounts and other short-term securities of three months or less. Consequential the cost, carrying value, and market value are equivalent.
- 6. Investments - The entity defines investments to include certificates of deposit with maturities of grater than three months or less. Consequent the cost, carrying value, and market value are equivalent.

NOTE 2 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at June 30, 2000. The categories are described as follows:

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 2 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS
(Continued)

Category 1 - Insured or collateralized with securities held by the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized

Cash Deposits, categorized by level of risk, are:

Total Bank Balances	Category		
	1	2	3
\$148,013	\$141,261	\$ 6,752	\$ -0-
=====	=====	=====	=====

NOTE 3 - CASH PER AUDIT

Cash per the 06-30-2000 audit consist of:

	Voucher	Certificate
Cash in Bank	\$ 141,141	\$ -0-
Petty Cash	120	-0-
Total Cash	\$ 141,261	\$ -0-
	=====	=====

The checking account is at the Farmers Bank of Hardinsburg, Kentucky.

Note 4 - INVESTMENTS

Investments at 06-30-2000 consist of:

	Voucher	Certificate
C.D.	\$ 6,752	\$ -0-

The C.D. is in the Farmers Bank of Hardinsburg, Kentucky.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2000 were \$-0-.

NOTE 6 - LAND, STRUCTURES AND EQUIPMENT (FIXED ASSETS)

The balance at 06-30-2000, \$39,077 was made up of:

Land Structures & Equipment	\$ 39,077
-----------------------------	-----------

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 6 - LAND, STRUCTURES AND EQUIPMENT (FIXED ASSETS)
(cont.)

After the GAAP Conversion Fixed Assets consist of:
Section 8
Vouch./Cert.

Furniture, Equip,	
Mach, Admin.	\$ 42,485
Leasehold Improvements	1
Accumulated Depreciation	<u>(37,490)</u>
Fixed Assets - Net	\$ 4,996
	=====

NOTE 7 - PREPAID EXPENSES

Prepaid expenses at June 30, 2000 were \$-0-.

NOTE 8 - DEPRECIATION

Depreciation was computed on cost over the remaining useful lives of the assets. Depreciation expense for the current period is \$3,856.

NOTE 9 - CURRENT LIABILITIES

Current Liabilities consist of:

	Section 8
	Voucher
Accounts payable	\$ -0-
A/P HUD	<u>113,377</u>
Total	\$113,377
	=====

NOTE 10 - CONTRIBUTED CAPITAL

Contributed Capital at 06-30-2000 consists of the following:

Project Notes HUD	\$ -0-
Net HUD PHA contributions -	\$63,219
	=====
TOTAL	\$63,219

NOTE 11 - CONTINGENCIES

The entity is subject to possible examination made by federal regulators who determine compliance with terms. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

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American Institute C.P.A.

WILLIAM E. BOTTOMS, C.P.A.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the members of the Board
Breckinridge County Housing Authority

We have audited the financial statements of the Breckinridge County Housing Authority, as of and for the year ended June 30, 2000, and have issued our reports thereon. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance


As part of obtaining reasonable assurance about whether the Breckinridge County Housing Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Breckinridge County Housing Authority internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board members, management, The Department of Housing and Urban Development and Federal Awarding Agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.


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WILLIAM E. BOTTOMS, C.P.A.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL VER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Breckinridge County Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The Breckinridge County Housing Authority major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal programs is the responsibility of the Breckinridge County Housing Authority management. Our responsibility is to express an opinion on Housing Authority compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about The Breckinridge County Housing Authority compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Breckinridge County Housing Authority compliance with those requirements.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

In our opinion, The Breckinridge County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2000. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Breckinridge County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Breckinridge County Housing Authority internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Internal Control over compliance would not necessarily disclose all matters in the internal that might be a material weakness. A material weakness is a condition in which design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board members, management and the Department of Housing and Urban Development and Federal Awarding Agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.


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